අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2018 අගෝස්තු
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2018 ஓகஸ்ட்
General Certificate of Education (Adv. Level) Examination, August 2018

ආර්ථික විද්‍යාව	II	
பொருளியல்	II	
Economics	II	

21 **E** **II**   07.08.2018 / 1300 - 1610

පැය තුනයි
மூன்று மணித்தியாலம்
Three hours

අමතර කියවීම් කාලය   - මිනිත්තු 10 යි
மேலதிக வாசிப்பு நேரம்   - 10 நிமிடங்கள்
Additional Reading Time - 10 minutes

Use **additional reading time** to go through the question paper, select the questions and decide on
the questions that you give priority in answering.

Instructions:
* Answer *five* questions only, selecting minimum of *two* questions from Sub-section 'A' and
   two questions from Sub-section 'B'.
* *Graph papers will be provided.*

Sub section 'A'

(Select minimum of two questions from this section.)

1. (i) What distinguishes entrepreneurship from labour as a factor of production?   (04 *marks*)

   (ii) Explain "The Law of Increasing Opportunity Cost". What causes opportunity costs
   to increase?   (04 *marks*)

   (iii) List the **three** fundamental questions any economic system must answer and
   outline briefly the **three** basic economic systems that have evolved to answer
   these questions.   (04 *marks*)

   (iv) Using production possibilities curves, explain separately the impact on the economy of
   the rise in the unemployment rate and an increase in the working-age population.   (04 *marks*)

   (v) "If you are not charged a price for the consumption of a good, that good must be
   a free good".
   Do you agree with this statement? Explain your answer.   (04 *marks*)

2. (i) Distinguish between individual demand curve and market demand curve.   (02 *marks*)

   (ii) "A Giffen good is an inferior good, but an inferior good is not necessarily a Giffen
   good". Explain.   (04 *marks*)

   (iii) What is meant by price elasticity of demand?   (02 *marks*)

   (iv) Consider that farmers who cultivate pumpkins in a certain country are having a hard
   time making a living selling pumpkins. The current demand and supply conditions
   in the pumpkin market are given by the equations below.

   Demand $(Q_D) = 350 - 10P$ Supply $(Q_S) = -40 + 5P$

   P is price in Rupees per kg. and Q is quantity in metric tons.

   (a) What are the market equilibrium price and quantity?   (02 *marks*)

(b) Suppose the government decides to help farmers by implementing a deficiency payment scheme. Under this scheme, the government will guarantee farmers that they will receive Rs. 30 per kilogram of pumpkin, and just asks that they sell all of the pumpkins they produce at whatever price they can get it from the market. How much pumpkins will the farmers supply to the market now? (02 *marks*)

(c) What price do farmers need to charge in order to sell the entire supply? (02 *marks*)

(d) How much will farmers receive from the government as deficiency payment? (02 *marks*)

(e) Calculate the consumer surplus and producer surplus after the introduction of deficiency payment scheme. (04 *marks*)

3. (i) State whether the following statements are true or false and give reasons for your answer.

(a) Total product starts falling when diminishing returns set in.

(b) Property taxes, building insurance payments and amortization payments are fixed costs.

(c) Diminishing returns and decreasing returns to scale are different ways of saying the same thing.

(d) If marginal cost is above the average variable cost, marginal cost must be falling. (08 *marks*)

(ii) Explain, using **two** examples, what is meant by 'barriers to entry' to an industry. (04 *marks*)

(iii) What is the connection between the supply curve and its marginal cost curve of a perfectly competitive firm? (04 *marks*)

(iv) Distinguish between economic rent and transfer earning. (04 *marks*)

4. (i) State whether the following items are included or excluded in the measurement of current year's GDP in a country and explain your answer in each case.

(a) A housewife grows vegetables in her home garden during the current year and the entire harvest is used for home consumption.

(b) A retired worker receives a pension payment from the government.

(c) A motor vehicle dealer earns a commission for selling a second-hand car.

(d) A mother helps her daughter to learn a lesson in mathematics at home. (04 *marks*)

(ii) Assume you have been given the following data for a hypothetical economy.

Item	Value (Rs. Million)
Gross Domestic Fixed Capital Formation	800
Private Consumption Expenditure	3 000
Net Primary Incomes from abroad	100
Government purchases	900
Changes in stocks	−50
Exports	450
Imports	600
Net Taxes on production	150

Calculate the GDP at market price. (04 *marks*)

(iii) What are the limitations of GDP as a measure of people's living standards of an economy? (04 *marks*)

(iv) Explain the following terms:

(a) Value added
(b) Inventory investment
(c) GDP deflater
(d) Non-produced non-financial assets (08 *marks*)

5. (i) Distinguish between induced consumption and autonomous consumption. (04 *marks*)

(ii) Consider the following macroeconomic data for an economy.

$C = 60 + 0.8\,Y_D$ $I = 100$ $G = 200$ $T = 150$ $Tr = 75$

Y_D = Disposable National Income C = Consumption
I = Investment G = Government purchases
T = Taxes Tr = Transfers

(a) What is the savings function of this economy? (02 *marks*)

(b) When $Y_D = 500$, calculate the average propensity to consume and average propensity to save? (04 *marks*)

(c) What is the equilibrium level of National Income? (04 *marks*)

(d) What is the value of the investment multiplier? (02 *marks*)

(iii) Assume in a hypothetical economy that government purchases (G) are Rs. 400 billion, taxes (T) are Rs. 300 billion, private savings (S) are Rs. 200 billion and private investment (I) is Rs. 250 billion.
What is the value of net exports of this economy? (04 *marks*)

Sub section 'B'

(Select minimum of two questions from this section.)

6. (i) What are the measures currently used in Sri Lanka to indicate the changes in general price level? (03 *marks*)

(ii) What are the adverse effects of inflation? (04 *marks*)

(iii) The following is a simplified balance sheet for one of the banks in a commercial banking system in a country.

Liabilities	Value (Rs. Million)	Assets	Value (Rs. Million)
Deposits	100 000	Required reserves	10 000
Shareholders' equity	25 000	Excess reserves	5 000
		Securities	30 000
		Loans	80 000
Total liabilities	**125 000**	**Total assets**	**125 000**

(a) What is the required reserve ratio? (02 *marks*)

(b) Assume that a customer withdraws Rs. 2 000 million from his current account at this bank. By how much will this bank's reserve change based on this cash withdrawal? (02 *marks*)

(c) Assuming that the required reserve ratio remains unchanged, what is the maximum amount of new loans that this bank could make after the withdrawal of Rs. 2 000 million deposits? (02 *marks*)

(iv) What is meant by monetary policy? (03 *marks*)

(v) Distinguish between quantitative and qualitative credit control methods of the Central Bank of Sri Lanka. (04 *marks*)

7. (i) Determine whether the following items are private goods, public goods or common resources:

(a) Fish in the ocean
(b) Broadcast television signals
(c) Basic research on lifestyle and cholesterol levels
(d) Specific research on cholesterol lowering drug for which patent can be obtained (04 *marks*)

(ii) How do you justify the government interventions in a free market economy? (04 *marks*)

(iii) Distinguish between vertical equity and horizontal equity of taxation. (04 *marks*)

(iv) Why do some economists argue that budget deficits contribute to increased market rates of interest and reduced private investment? (04 *marks*)

(v) "The government debt-to-GDP ratio in Sri Lanka still remains very high when compared to other countries in the region." Outline briefly the measures taken by the government of Sri Lanka to ensure sustainable debt level in the medium and long term. (04 *marks*)

8. (i) Let country A's endowment of labour equal 200 units and country B's endowment of labour equal 200 units. The labour requirement for the production of one unit of good X and good Y in each country is given in the Table below.

Country A		Country B	
Good	Labour units	Good	Labour units
X	5	X	4
Y	4	Y	8

    (a) Draw separately production possibilities frontier for each country and label them correctly. (04 *marks*)

    (b) Which country has an absolute advantage in which good? Explain your answer. (02 *marks*)

    (c) Which country has a comparative advantage in which good? Explain your answer. (02 *marks*)

(ii) State any **two** sources of comparative advantage. (02 *marks*)

(iii) Name the main components of the current account of the Balance of Payments statement? (02 *marks*)

(iv) Distinguish between nominal exchange rate and the effective exchange rate. (04 *marks*)

(v) What are the arguments for free trade? (04 *marks*)

9. (i) Define 'economic growth' and state most important sources of economic growth. (05 *marks*)

(ii) Is economic growth a sufficient condition for poverty alleviation? Explain your answer. (05 *marks*)

(iii) What do you mean by 'sustainable development'? (05 *marks*)

(iv) Why is increasing female labour force participation important for Sri Lanka? Explain your answer. (05 *marks*)

10. (i) What are the appropriate policy measures for Sri Lanka to improve its competitiveness within global market? (05 *marks*)

(ii) Examine the poverty and income inequality trends in Sri Lanka during the period 2002–2016. (05 *marks*)

(iii) What were the key features of the economic liberalization reforms introduced in Sri Lanka in 1977? (05 *marks*)

(iv) What are the main challenges that Sri Lanka needs to address in order to achieve a sustained rapid economic growth? (05 *marks*)

* * *

ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව
இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka
ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව
இலங்கைப் பரீட்சைத் திணைக்களம் இலங்கைப் Department of Examinations, Sri Lanka இலங்கைப் பரீட்சைத் திணைக்களம்

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2018 අගෝස්තු
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2018 ஓகஸ்ட்
General Certificate of Education (Adv. Level) Examination, August 2018

	06.08.2018 / 13 00 - 15 00

ආර්ථික විද්‍යාව	I	
பொருளியல்	I	**21** **E** **I**
Economics	**I**	

පැය දෙකයි
இரண்டு மணித்தியாலம்
Two hours

Page No.	Question No.	Marks
01	01 - 04	
02	05 - 12	
03	13 - 18	
04	19 - 25	
05	26 - 32	
06	33 - 40	
07	41 - 45	
08	46 - 50	
Total		

Index No. : ....

For Examiner's Use Only

	Signature	Code No.
1st Examiner		
2nd Examiner		
Addl. Chief		
E.M.F.		
Chief		

Instructions:
* Answer **all** the questions **on this question paper itself**.
* Write your **Index Number** in the space provided in the answer sheet.
* Select the correct answers for questions No. **1-50** and **write its number on the dotted line given**.

1. Which of the following statements is a normative statement?
   (1) Increasing fuel prices will encourage the demand for electric cars.
   (2) If income increases, sales of luxury goods will fall.
   (3) As laptop prices fall, people will buy more of them.
   (4) Government should control the rents that house-owners charge.
   (5) The quantity demanded of a good is inversely related to changes in its price.   (......)

2. Which one of the following is an example of land as a factor of production?
   (1) Magampura harbour   (2) Southern expressway   (3) Victoria dam
   (4) Ambewela dairy farm   (5) Pasikkudah beach   (......)

3. Which of the following is always true of an economy operating on its production possibilities frontier?
   (1) It must be a free market economy.
   (2) It must be a command economy.
   (3) Its resources are fully employed.
   (4) It has achieved production efficiency but impossible to achieve allocative efficiency.
   (5) It must have a linear production possibilities frontier.   (......)

4. On a diagram of a production possibilities frontier, opportunity cost is represented by
   (1) the slope of the production possibilities frontier.
   (2) a point inside the production possibilities frontier.
   (3) a ray through the origin.
   (4) a point on the vertical axis.
   (5) a point on the horizontal axis.   (......)

5. Which of the following is necessary for a well-functioning capitalist economy, but **not** in a command economy?
   (1) Centralized decision-making
   (2) Scarcity of resources
   (3) Monopolies
   (4) Protection of property rights
   (5) Positive externalities   (......)

6. When a firm is producing the allocative efficient level of output,
   (1) total revenue is equal to total cost.
   (2) marginal revenue is equal to marginal cost.
   (3) marginal revenue is greater than marginal cost.
   (4) price is equal to average total cost.
   (5) price is equal to marginal cost.   (......)

7. Which one of the following will most likely to happen in the market for good X if the price of good X decreases when other things remain unchanged?
   (1) The supply of good X will decrease.
   (2) The demand for good X will increase.
   (3) The demand for good X will decrease.
   (4) The quantity demanded for good X will increase.
   (5) The quantity supplied for good X will increase.   (......)

8. When a demand curve is drawn, the assumption is that
   (1) quantity demanded always increases as price falls.
   (2) quantity demanded always decreases as price falls.
   (3) changes in price do not influence supply.
   (4) price elasticity of demand does not vary along the demand curve.
   (5) factors affecting demand, remain constant, other than price.   (......)

9. In the market for a good, the quantity supplied (Q_S) and quantity demanded (Q_D) are respectively given by $Q_S = -30 + P$ and $Q_D = 240 - 2P$ where P is price per unit in rupees. A change in the product tax on the good makes $Q_S = -36 + P$. How will the change in the tax affect equilibrium price?

   (1) It will fall by Rs. 2.
   (2) It will fall by Rs. 6.
   (3) It will rise by Rs. 2.
   (4) It will rise by Rs. 6.
   (5) It will rise by Rs. 90.   (......)

10. If both demand and supply of tea increase, what will happen to the equilibrium price and quantity in the tea market?

	Price	Quantity
(1)	Increases	Increases
(2)	Decreases	Decreases
(3)	Decreases	Increases
(4)	Increases	Indeterminate
(5)	Indeterminate	Increases

                                                                               (......)

11. If the demand for milk increases whenever a person's income increases, then milk is an example of
    (1) an inferior good.
    (2) a free good.
    (3) a normal good.
    (4) a merit good.
    (5) a Giffen good.   (......)

12. Assume that the demand for a certain firm's product is perfectly inelastic. What will be the effect on the firm's revenue if the firm increases its price by 6%?
    (1) Revenue will be unchanged.
    (2) Revenue will increase by 6%.
    (3) Revenue will decrease by 6%.
    (4) Revenue will fall to zero.
    (5) Revenue will increase by less than 6%.   (......)

13. In a competitive market for cinnamon, 10 million kilograms were sold for Rs. 900 per kilogram in 2016. In 2017, 10 million kilograms of cinnamon were sold for Rs. 800 per kilogram. Which of the following changes in demand and supply could have caused this outcome?

	Demand	Supply
(1)	Increase	Increase
(2)	Decrease	Decrease
(3)	Decrease	Increase
(4)	Increase	Decrease
(5)	Decrease	No change

(......)

14. Suppose that the market supply curve for a certain consumer good is upward sloping and the market demand curve is downward sloping. How does a unit subsidy on the product affect the consumer surplus and the producer surplus?

	Consumer Surplus	Producer Surplus
(1)	Decreases	Decreases
(2)	Decreases	Increases
(3)	Increases	Increases
(4)	Increases	Decreases
(5)	Increases	No change

(......)

15. Suppose the market demand and supply curves for a product sold in a competitive market are represented by the following equations.

$$Q_D = 160 - 4P \qquad\qquad Q_S = -20 + 2P$$

The price elasticity of demand at the market equilibrium is
(1) –2.4.   (2) –2.6.   (3) –2.8.   (4) –3.0.   (5) –5.3.   (......)

16. Assume that a firm uses only one variable input in its short run production process. If the firm is experiencing diminishing returns, which of the following is true as more of the variable input is used?
(1) Marginal cost will decrease at a constant rate.
(2) Marginal cost will decrease at a diminishing rate.
(3) Marginal cost will increase.
(4) Marginal product will increase at a constant rate.
(5) Marginal product will increase at a diminishing rate.   (......)

17. When a firm is producing zero output, its total costs are Rs.300. When the firm is producing 5 units of output, its total costs are Rs.630. What is the Average Variable Cost of producing 5 units of output?
(1) Rs.60   (2) Rs.66   (3) Rs.122   (4) Rs.126   (5) Rs.330   (......)

18. Which of the following are characteristics of a perfectly competitive market?
      A - New firms can enter the market easily.
      B - There is no product differentiation.
      C - The market demand curve is perfectly elastic.
      D - The supply curve of an individual firm in the market is perfectly elastic.

(1) A and B only.   (2) A and C only.   (3) A, B and C only.
(4) A, B and D only.   (5) B and C only.   (......)

19. At the current level of output of a perfectly competitive firm, the marginal cost is Rs. 80. The average variable cost is Rs. 50. The average fixed cost is Rs. 30 and the product price is Rs. 80. Which of the following statements is true for this firm?
    (1) Economic profit is zero because marginal revenue equals marginal cost.
    (2) Economic profit is negative because total revenue is less than total cost.
    (3) Economic profit is positive because total revenue is greater than total cost.
    (4) Economic profit is negative because price is greater than average variable cost.
    (5) Economic profit is zero because price equals average total cost.   (......)

20. In which one of the following market structures do firms recognize their mutual interdependence?
    (1) Oligopoly   (2) Monopoly
    (3) Perfect competition   (4) Natural monopoly
    (5) Monopolistic competition   (......)

21. For an economy consisting of households and business firms only, which of the following is consistent with the circular flow of income?
    (1) Households are producers of goods and services and business firms are consumers of productive resources.
    (2) Households are users of productive resources and business firms are sources of savings.
    (3) Households are suppliers of productive resources and business firms are producers of goods and services.
    (4) Business firms are collectors of taxes and households are sources of taxes.
    (5) Business firms are suppliers of productive resources and households are consumers of goods and services.   (......)

22. Which of the following statements defines the Gross Domestic Product?
    (1) The total quantity of output produced by an economy in a given time period.
    (2) The total market value of all output produced by an economy in a given time period.
    (3) The total market value of all final goods and services produced by an economy in a given time period.
    (4) The total value of all final goods and services sold in the domestic market in a given time period.
    (5) The total market value of all final goods and services produced by an economy minus the market value of final goods and services exported to other countries in a given time period.   (......)

23. What is **not** included in the measurement of Gross National Income (GNI)?
    (1) Financial benefits paid to the unemployed
    (2) Dividends paid to shareholders
    (3) Profits retained by companies
    (4) Rent paid to landlords
    (5) Property incomes paid to resource owners   (......)

24. Assume that a hypothetical economy contains only three industries. Industry A using imported inputs of Rs. 30 million to produce an output, sold for Rs. 100 million to industry B. Industry B, using no imports, sells part of its output to industry C for Rs. 300 million and exports goods to a foreign country for Rs. 60 million. Industry C uses Rs. 30 million of imported inputs and sells Rs. 500 millions of its output to final consumers.

    What is the Gross Domestic Product (GDP) of this economy?
    (1) Rs. 440 million   (2) Rs. 500 million   (3) Rs. 900 million
    (4) Rs. 960 million   (5) Rs. 990 million   (......)

25. As income level increases from Rs. 5000 to Rs. 10000, consumption expenditure increases from Rs. 7000 to Rs. 11000. The marginal propensity to consume is equal to
    (1) 0.8.   (2) 0.9.   (3) 1.0.   (4) 1.2.   (5) 1.4.   (......)

26. Which of the following will decrease the Gross Domestic Product by the greatest amount?
   (1) Rs. 50 billion increase in both government purchases and taxes
   (2) Rs. 50 billion decrease in both government purchases and taxes
   (3) Rs. 50 billion increase in taxes
   (4) Rs. 50 billion decrease in government purchases
   (5) Rs. 50 billion increase in net exports   (......)

27. In an economy without a government sector, consumption (C), investment (I), exports (X) and imports (M) are given below:

     $C = 200 + 0.75\,Y$ $I = 500$ $X = 150$ $M = 100$

   What will be the equilibrium level of national income (Y) in this economy?
   (1) 3 000   (2) 3 400   (3) 3 600   (4) 3 750   (5) 3 800   (......)

28. In the diagram below, OY_1 is the equilibrium level of national income and OY^* is the full employment level of national income.
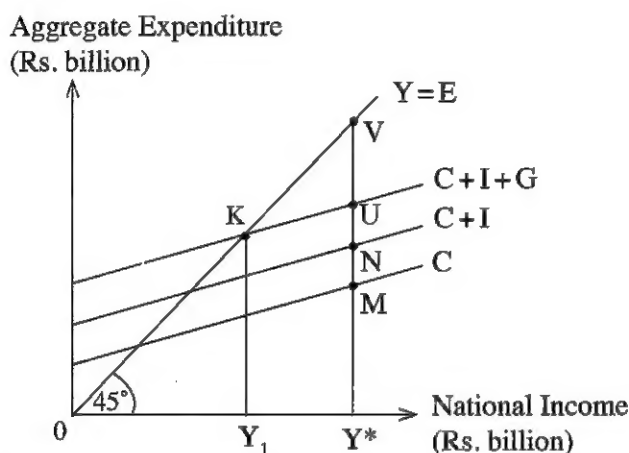
   What is the deflationary gap of this economy?
   (1) Y^*U (2) UV   (3) KV   (4) MV   (5) Y_1Y^* (......)

29. What is the base year of the National Consumer Price Index in Sri Lanka?
   (1) 1951   (2) 2006/07   (3) 2010   (4) 2012/13   (5) 2014   (......)

30. Which of the following would generate a cost-push inflation?
   (1) An increase in the price of labour   (2) A decrease in the price of electricity
   (3) An increase in household consumption   (4) A decrease in government purchases
   (5) An increase in the money supply   (......)

31. Which is most likely to cause an increase of the money supply in a certain country?
   (1) A Balance of Payments surplus
   (2) A government budget surplus
   (3) Cash withdrawal by commercial bank depositors
   (4) Recall of loans by the commercial banks
   (5) Selling securities to commercial banks by the Central Bank   (......)

32. The transaction demand for money is very closely associated with money's function as a
   (1) store of value.   (2) standard unit of account.
   (3) measure of value.   (4) medium of exchange.
   (5) standard of deferred payment.   (......)

33. Which of the following is a liability of a commercial bank Balance Sheet?
    (1) Treasury bills
    (2) Customer deposits
    (3) Loans and advances
    (4) Money at call
    (5) Bills discounted
    (......)

34. What are the key policy tools used by the Central Bank of Sri Lanka in conducting its monetary policy at present?
    (1) Bank rate and policy rates
    (2) Statutory reserve requirements and open market operations
    (3) Moral suasion and policy rates
    (4) Credit squeeze and statutory reserve requirements
    (5) Policy rates and open market operations
    (......)

35. When consumption of a certain good generates a positive externality, which of the following must be true at the market equilibrium?
    (1) Marginal social benefit is less than marginal private cost.
    (2) Marginal social benefit is greater than marginal private benefit.
    (3) Marginal social cost is greater than marginal social benefit.
    (4) Marginal social cost is less than marginal private benefit.
    (5) Marginal social cost is equal to marginal social benefit.
    (......)

36. Which of the following is most likely to be a reason for what economists call the phenomenon of 'government failure'?
    (1) The negative externalities that result from the production of some goods and services
    (2) Excessive consumption of demerit goods
    (3) Unequal distribution of income and wealth
    (4) Imperfect competition in the markets
    (5) Pursuit of self-interest amongst politicians
    (......)

37. Which of the following is true of the marginal cost providing a pure public good to one more consumer?
    (1) It is positive.
    (2) It is equal to zero.
    (3) It is equal to the initial cost of production of the good.
    (4) It decreases as the number of consumers decrease.
    (5) It increases as the number of consumers decrease.
    (......)

38. The principal sources of tax revenue in Sri Lanka are
    (1) Income Tax, Value Added Tax and Excise Duties.
    (2) Value Added Tax, Turnover Tax and Economic Service Charge.
    (3) Income Tax, Value Added Tax and Stamp Duty.
    (4) Value Added Tax, Import Duties and Nation Building Tax.
    (5) Value Added Tax, Port and Airport Levy and Economic Service Charge.
    (......)

39. An appropriate fiscal policy to combat a recession would be an increase of
    (1) interest rates.
    (2) money supply.
    (3) taxes.
    (4) sale of government bonds.
    (5) government spending.
    (......)

40. At present Sri Lanka's main destination of exports and main origin of imports are respectively
    (1) United States of America and United Kingdom.
    (2) United States of America and China.
    (3) European Union and India.
    (4) United Kingdom and China.
    (5) United Kingdom and India.
    (......)

41. A country's terms of trade increased from the base year value of 100 to 130 in the following year. What changes in export prices and import prices would have caused this?

	Export Price Index	Import Price Index
(1)	Decreased 30%	Increased 10%
(2)	Decreased 20%	Decreased 10%
(3)	Increased 30%	Unchanged
(4)	Increased 10%	Decreased 20%
(5)	Unchanged	Increased 30%

(......)

42. A country can have an increased surplus in its balance of trade as a result of
   (1) an increase in domestic inflation.
   (2) declining imports and rising exports.
   (3) higher tariffs imposed by its trading partners.
   (4) an increase in FDI inflows.
   (5) an appreciation of the currency.

(......)

43. Which one of the following combinations is true for Sri Lanka's ranking in the Human Development Index and the Global Competitiveness Index in 2016/17?

	Human Development Index	Global Competitiveness Index
(1)	73	71
(2)	73	60
(3)	72	58
(4)	70	68
(5)	68	85

(......)

44. The diagram below shows the demand for Sri Lankan Rupees and the supply of Sri Lankan Rupees in the foreign exchange market of Japanese Yen. The market is initially in equilibrium at K. What could be the new equilibrium point in the foreign exchange market after in the foreign exchange market an increase in demand for imported cars owing to a substantial reduction in duty on imported cars in Sri Lanka?
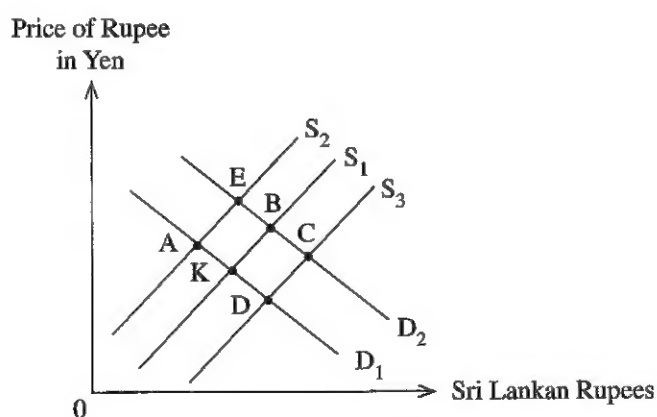
(1) A   (2) B   (3) C   (4) D   (5) E

(......)

45. Income disparity can be measured by
   (1) the difference between GDP and GNI.   (2) the Gini coefficient.
   (3) the growth rate in Real GDP.   (4) national poverty line.
   (5) Per Capita income.

(......)

46. From the following, select the three indicators currently used in the Human Development Index.
  A - Purchasing power parity GNI per capita index
  B - Birth rate index
  C - Life expectancy index
  D - Adult literacy index
  E - Education index

  (1) A, B and C   (2) A, C and D   (3) A, C and E
  (4) A, D and E   (5) C, D and E   (......)

47. Which two of the following arguments imply that the real GNI per capita measure may be a misleading indicator of the standard of living between different countries?
  A - Does not take account of differing rates of inflation.
  B - There are different degrees of non-market economic activities between countries.
  C - Does not take account of differing consumer tastes.
  D - Does not take account of exchange rate distortions. Thus this measure should be expressed using 'Purchasing Power Parties.'
  E - The 'income approach' of GNI measurement may differ from the 'expenditure approach'.

  (1) A and B   (2) B and C   (3) B and D
  (4) C and D   (5) D and E   (......)

48. Sustainable Development Goal 1 is about poverty. The aim of this goal is to
  (1) cut poverty in half by 2030.
  (2) end poverty in all its forms everywhere by 2030.
  (3) reduce poverty by 75% in 2030.
  (4) end hunger and ensure access by all people to sufficient food.
  (5) help each country make progress on reducing poverty.   (......)

49. The distribution of population among three major age groups of a country is given in the table below.

Age Group	Population (million)
0–14 years	6
15–64 years	20
65 years and more	4

The total dependency ratio of this country is
(1) 10%.   (2) 20%.   (3) 30%.   (4) 33%.   (5) 50%.   (......)

50. Which set of data given in the table below correctly indicates the sectoral composition of Gross Domestic Product of Sri Lanka at present?

	Agriculture, Forestry and Fishing (%)	Industries (%)	Services (%)
(1)	5	20	64
(2)	7	27	57
(3)	10	25	50
(4)	12	28	48
(5)	15	30	45

(......)

* * *